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Home Center News ®

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Payless buys Knox, names new president

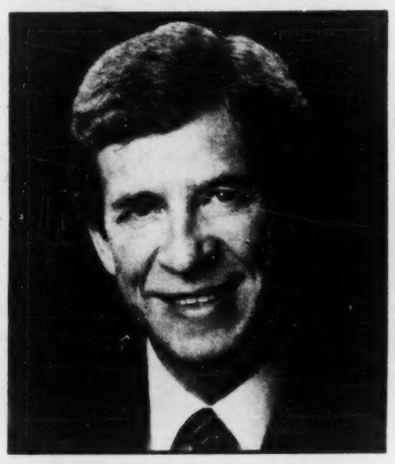
Kunz elected president under ceo Stanley

By an NHCN staff editor

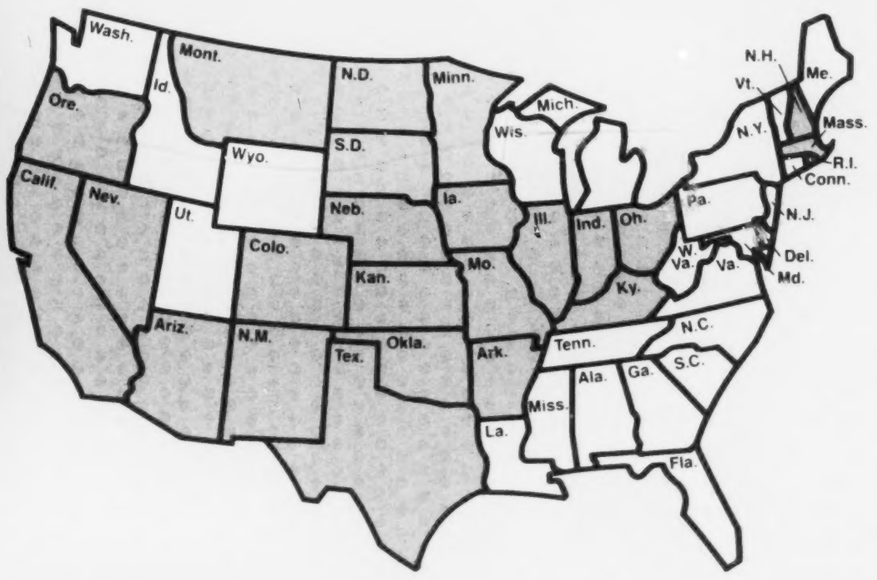
KANSAS CITY, Mo. — Larry P. Kunz was elected president and chief operating officer of Payless Cashways Inc., August 14. Kunz, 51, takes over the president's title from David Stanley, who remains chairman and chief executive officer of the 170-store chain.

In prepared remarks, Stanley said Kunz was selected for "over 25 years of experience in retailing and his knowledge of

(Continued on page 62)



Payless' acquisition of Knox expands the chain to 23 states and will include 10 stores, a DC and a site under development. Pictured is Larry Kunz, Payless' new president and coo.



☐ States with Payless units
☐ States with Knox Lumber units

Deal would add 10 units in four states

By Laura Liebeck
NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways is adding once again to its portfolio of regional building material chains with its agreement last month to acquire 10-unit Knox Lumber of St. Paul, Minn.

The announcement came less than four months after the Twin-Cities area retailer was sold by Southwest Forest Industries of Phoenix to a group of investors led by investment

(Continued on page 62)

British company buys Glidden for $580M

By Brad Altman
NHCN staff editor

CLEVELAND — The Glidden Company, the No. 2 paint maker in the U.S. consumer market behind Sears, has been sold by its parent firm, Hanson Industries, to Britain's largest industrial company, Imperial Chemical Industries PLC, for $580 million cash.

The deal brings to ICI the U.S. and Canadian paint, coatings, resins and MACCO (Liquid Nails brand) adhesives businesses which are part of SCM Corp., a unit of Hanson, which is a diversified industrial group.

New York-based SCM, whose coatings include paints selling under the Glidden and Spred Satin names, was acquired in March by Hanson Industries' parent company, Hanson Trust PLC of Britain, for $930 million.

Charles Carpenter, marketing services director for Glidden, said ICI "wanted to buy Glidden because it didn't have a position in paint in the United States. This makes

(Continued on page 61)

Builders Sq. buys Mr. HOW units, ends Service Merch.'s DIY foray

By an NHCN staff editor

TROY, Mich. — K mart's agreement to purchase 12 Mr. HOW Warehouse stores and 4 unopened Mr. HOW units puts its Builders Square subsidiary in position to be operating more than 90 stores generating $1 billion in sales by the end of this year.

At the same time, the sale marks the end of Service Merchandise's roller coaster ride in the home improvement industry.

On Aug. 20, Service Merchandise said it had agreed to sell most of Mr. HOW to Builders Square, the 56-store subsidiary of K mart which had previously announced plans to open 50 stores this year. The completion of the transaction is subject to certain conditions which neither Service nor K mart would specify.

The Nashville-based catalog showroom retailer said it will experience a pretax loss of $27 million in its third quarter as a result of the sale and the disposition or closing of all the remaining 10 Mr. HOW stores.

The company took a similar write-off of $8.5 million in its second quarter after selling five Mr. HOW stores and one

(Continued on page 4)

Ray Zimmerman feels Service Merchandise picked up a lot of merchandising ideas from Mr. HOW that can be used in Service's showrooms.

U.S., Canadian chains join to form import buying group

By an NHCN staff editor

TROY, Mich. — A consortium of 12 American and Canadian home center companies, with aggregate sales expected to exceed a billion dollars this year, have launched a new buying organization to facilitate the purchase of imported merchandise.

The new import buying group, which has been in the formative stages over the past year, is called CanAmCo.

It includes among its members such chains as Lanoga, which operates 14-unit Lumbermen's in the Pacific Northwest; 11-unit Spenards in Alaska; 115-unit United Building Centers in the Midwest; Builderama, the 6-unit Savannah, Ga., chain; 10-unit Hughes Lumber in Tulsa, Okla.; and Val Royale, the innovative Montreal-based Canadian home improvement retailer.

It also includes 20-store Stambaugh-Thompson, based in Youngstown, Ohio; 15-store Church's Lumber in Utica, Mich.; Eclipse Industries' 9-store B&B Home Supply in St. Louis; 4-store Levy's Lumber and Building Centers in Louisville, Ky.; and 11-store Chase-Pitkin in Rochester, N.Y.

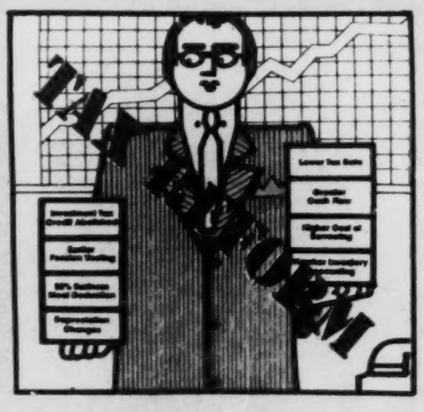
Through CanAmCo, these regional companies claim they can achieve buying clout comparable to that of the largest home center chains in the industry.

"We recently bought two containers of paneling from Hong Kong at a better price than we could have individual-

(Continued on page 61)

INSIDE

Perspectives: Home centers are facing profound changes under the new tax reform package passed Aug. 16 by the Joint Committee on Taxation. The measure is seen as broadly beneficial to the retail industry, compared to its effect on manufacturing and other sectors. **21**



Merchandising: Cordless and professional-grade power tools are sweeping the retail home improvement market as dealers try to improve a slow-growth category. **40**
Ad & Marketing: The Discover Card, introduced recently by Sears, has seen mixed initial results. **50**

NEWSBREAKS

OWENS-CORNING FIGHTS WICKES TAKEOVER BID WITH OFFER TO BUY BACK ALL OF ITS OUTSTANDING STOCK — SEE STORY PAGE 2

GENERAL FELT BIDS FOR COLOR TILE: General Felt, which owns a controlling interest in Diamond Lumber, has offered $30 a share for Color Tile. The offer surpasses a previous proposal of $25 a share submitted by Merrill Lynch Capital Partners.

INDUSTRY UPDATE

Depot debuts largest unit ever

EL CAJON, Calif. — The Home Depot was slated to debut its largest store to date—a 139,500-sq.-ft. outlet in this San Diego County city on Aug. 28. The grand opening marks the Atlanta-based chain's fifth unit in the San Diego market and its largest unit by square footage in the chain's history.

The Atlanta-based chain has a handful of units in the 100,000-sq.-ft.-plus range, but most average 80,000 sq.ft. A company official at Home Depot said the extra square footage at the El Cajon outlet would be devoted to an expanded under-roof lumber department, totaling approximately 30,000 sq. ft. "That represents 45 truckloads," said the official.

The new outlet is located one block away from a HomeClub membership warehouse outlet and industry observers are expecting a fierce battle to take place for market share.

Builders Sq. opens in L.A.

ROSEMEAD, Calif. — Using an ex-K mart outlet, Builders Square opened a 60,000-sq.-ft. warehouse store in this Los Angeles suburb on Aug. 14, marking the debut of its third California outlet. Other units are in Oxnard and Riverside.

A company official said the K mart subsidiary continues to plan additional Western U.S. market entries, including Denver where it is developing sites acquired from Mr. HOW in July. Those sites were acquired prior to Builders Square's most recent agreement to buy 16 Mr. HOW locations late last month (See story, page 1.)

On July 31, Builders Square opened its first unit in Portland, Ore., an 80,000-sq.-ft. converted K mart. A second build-to-suit store is slated to open in that market later this year. Builders Square also has a unit in Las Vegas, Nev., giving it a total of five stores in the Western U.S. to date and 56 nationwide, excluding the 16 new sites slated to come from Mr. HOW.

Three new Payless stores open

KANSAS CITY, Mo. — Payless Cashways opened three stores in late August: a Somerville Lumber unit in Seekonk, Mass., and two Furrow stores, in South Dayton, Ohio, and in the Cincinnati surburb of Florence, Ky., the company announced.

The Seekonk, Mass., store is a 56,000-sq.-ft. outlet with adjoining 100,000-sq.-ft. warehouse and outside lumberyard. Both the Florence, Ky., and South Dayton, Ohio, units, have 37,500-sq.-ft. retail showrooms and adjoining warehouses of 45,000 sq. ft. and 53,500 sq. ft., respectively.

The Kansas City, Mo.-based retailer now has 172 units, not including 10 stores it has agreed to acquire from Knox Lumber.

Supply One moves into Oregon

PORTLAND, Ore. — An 85,000-sq.-ft. Supply One outlet—the largest unit in the chain's two-year history—was slated to debut on a seven-acre site in the Hillsboro section near here Aug. 30, company president Jay Steiner said. Supply One opened its first stores, each about 30,000 sq. ft., in Reno and Sparks, Nev.

Industry stocks trend upward

NATIONAL REPORT — Home center stocks experienced welcome adjustments during the two-week period ended Aug. 22. Investors, who had sent the prices of 45 stocks tumbling during the previous two-week period, reversed their sympathies and sent the prices of 45 such stocks moving upward.

Given the takeover underway at Color Tile, it's not surprising the company's stock outperformed all the others by increasing 28.2%, to close at 27¼.

Standard Brands Paint increased 18.2%, to close at 25⅛.

Wickes Cos. declined 9.1%, to close at 5. The drop came in tandem with the firm's bid to buy Owens-Corning Fiberglas.

Erb Lumber dropped 8.9% to 14⅛.

(See financial table, page 60)

Wickes must increase the ante in bid for Owens-Corning shares

By Brad Altman
NHCN staff editor

TOLEDO, Ohio — In a move to thwart a takeover from Wickes Cos., Owens-Corning Fiberglas offered to buy back all of its current outstanding common stock Aug. 28.

The company said it would exchange all of the outstanding common shares for a package that includes $52 in cash, $35 in the form of the principal amount of a new junior subordinated debenture and one share of new common stock.

That package was valued at $83 by some market analysts, who based their valuation on estimated values of both the new stock and the new debentures which start paying interest in 1991.

On the day following the O-C announcement, Wickes said it would continue its tender offer for all of the outstanding shares of O-C stock, at a price of $74 each. A tender offer for the remaining 91.5% of O-C stock had been launched Aug. 12 and was set to expire at midnight, EDT, on Sept. 12.

However, in a prepared statement, Wickes also said that it was "studying the recapitalization proposal (of O-C) and may determine to sell some or all of its shares."

Sanford C. Sigoloff, Wickes chairman, said his company would analyze the valuation of the recapitalization offered by O-C, as well as the value of O-C to his company.

Wickes would have a substantial gain from tendering the shares it currently owns back to O-C. In a filing with the SEC, Wickes stated that it owned 8.5%, or 2,530,300, of the outstanding shares of O-C. Given the fact that most of those shares were purchased at a market price of $50, Wickes would gain some $33 per share from the exchange of its stock for the O-C instruments. Its gain would thus come to $83.5 million.

Less than a week after the board of O-C had rejected as "inadequate" a $74-a-share takeover bid from Wickes, Sigoloff had said that he was willing to increase his firm's tender offer. It is questionable, however, whether Wickes could match the new O-C counter offer.

Many observers were not surprised when Wickes said it would likely sweeten its bid prior to the O-C counter offer.

"It is another step in the never-ending developments that rapidly occur in takeover attempts such as this," said Daniel Bayston, a building material industry analyst with Duff & Phelps, Chicago.

The latest move by O-C

(Continued on page 61)

Lion leaves troubled Worthington in dispute with lender AmeriTrust

By Gary S. Ruderman
NHCN staff editor

MENTOR, Ohio — The departure August 19 of Paul Lion as chairman and ceo of The George Worthington Company has further exacerbated the problems of the financially strapped Ohio-based hardware wholesaler.

Lion, who had initially sought to acquire Worthington's Townley Hardware division and agreed to run Worthington as an interim measure, was to play an integral part in a financing agreement between Worthington and its prime lender, AmeriTrust Bank of Cleveland.

A disagreement, however, erupted between Lion and Ameritrust last month over the Townley subsidiary, prompting Lion to leave. At stake was a potential $2.95 million cash infusion for Worthington which now seems unlikely to occur.

The timing of Lion's departure, just two months after assuming the chairmanship, comes at a critical period for Worthington.

A primary supplier for the network of Sentry Hardware stores, with 1,500 accounts in 16 states, Worthington has been experiencing a crunch in cash flow.

Cost obligations have escalated significantly as a result of recent acquisitions and other commitments. Among costlier expenses was the construction of a 125,000-sq.-ft. warehouse in Lenexa, Kan., in 1983. A year later, the 157-year-old distributor moved out of its aged downtown Cleveland complex to a newly built 440,000-sq.-ft. facility in nearby Mentor in 1984. Meanwhile, the employee-owned company also insisted on repurchasing retirees' shares.

Over that same period of time, revenues from purchases by farm and energy belt dealers turned soft.

Payments rescheduled

Complicating matters in recent months, vendors have placed increasing limitations on shipments to Worthington distribution centers, in response to slower payments. Among the effects: a significant falloff in Worthington's fill rates.

"Right now, the customer fill rate is abysmal, about 50% to 60%," said one vendor who

(Continued on page 62)

Stockholder suit brought against Zayre

By an NHCN staff editor

FRAMINGHAM, Mass. — Zayre Corp., the $4 billion parent of HomeClub, has become the target of a class action suit filed by an investor in its stock, on behalf of shareholders who bought stock in the company between March 1 and Aug. 5, 1986.

Filed Aug. 14 in U.S. District Court, Boston, the suit charges that Zayre and certain of its officers and directors failed to disclose on a timely basis material information related to the company's disappointing results for the second quarter, ended July 30.

On Aug. 5, Zayre had announced that it expected second quarter net income to decline to about $5.6 million, or about 65% below the $16 million for the same quarter the previous year.

Zayre said that part of the decline was due to a $3.4 million charge related to the redemption of the company's 12⅝ senior subordinated debentures. If the effect of the redemption was discounted, the drop in earnings for the quarter was 44%, to $9 million.

On the day of the announcement, Zayre stock dropped four points to close at $26¾.

The suit claimed that between the dates of April 7 and June 16, a number of Zayre officers and directors were engaged in a "massive and systematic sell-off of over 400,000 shares of the common and restricted stock of Zayre valued at over $28 million, while, at the same time, the company was reporting to the shareholders that continued aggressive growth and profitability were planned for fiscal 1986."

The suit alleges that the officials "had access to adverse non-public information about the business and finances and the future business prospects of Zayre."

Among the Zayre officials

(Continued on page 61)

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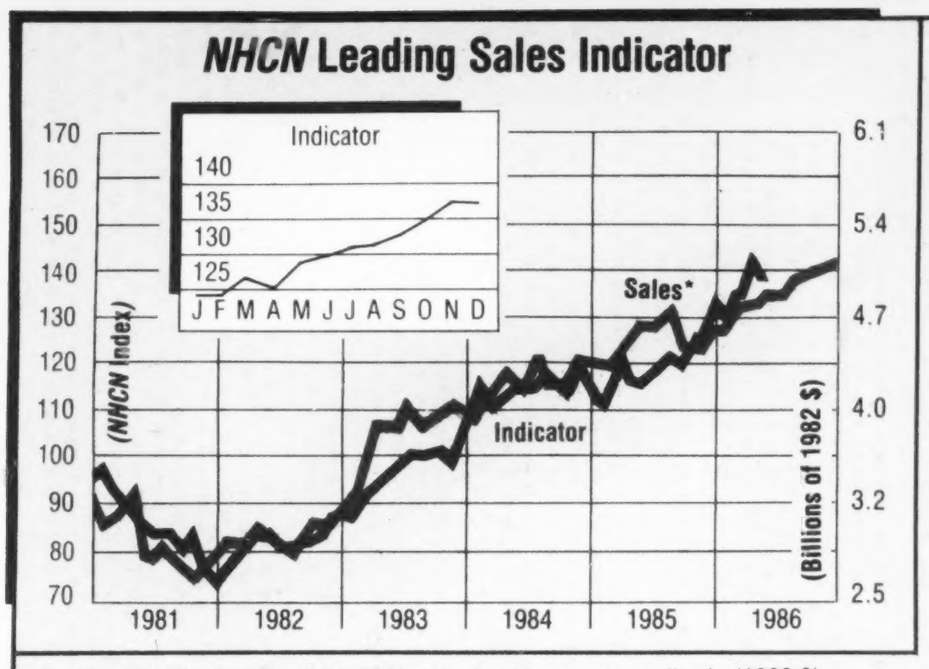
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales in the near term. Resales were down in the first quarter and will weaken building material demand. By year's end, sales will begin to increase from the lagged effect of the recovery in existing home sales and lower interest rates.

California again outpaces nation in housing starts, employment

By Richard E. Mount
Special to NHCN

California building material sales will increase 15% this year, three percentage points higher than the national average of 12%. This will be a gain of 14% after adjusting for inflation. For 1987, California will again outpace the nation with a 12% gain.

Employment growth in California is rising faster than the nation. Jobs in finance are up 4.3%, services 3.1% and trade, 2.8%, while construction and manufacturing are up only 0.5% from a year ago. The state has a large base of noncyclical industries such as research, tourism and defense spending. These sectors keep the state's economy strong. Major agricultural products in the state are in better condition than those of the Midwest.

Richard E. Mount

The state, however, has a number of cyclically sensitive industries, as well—auto production, petroleum refining, clothing textiles printing and publishing. The projected slowdown in the national economy during the second half of 1986, as presented in the last report, will be felt in various regions of the state.

Population growth and migration from other areas of the country have been major factors for California's strength. Since 1980, state population has grown 2% per year, 20% faster than its expansion in the 1970s. The population growth for the nation in the 1980s has been only 1%.

Residential markets are

(Continued on page 58)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		116.0	121.0	123.4	124.7	127.9	132.1	136.5	138.7	118.5	130.3	140.7
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	53,512	53,736	56,976	61,180	63,380	59,699	55,961	61,496	53,341	60,055	65,833
	New England	2,902	3,238	3,477	3,492	3,968	3,719	3,447	3,776	3,038	3,657	4,027
	Middle Atlantic	7,119	7,408	8,306	8,324	8,867	8,286	7,745	8,486	7,269	8,306	9,051
	East North Central	8,575	8,603	9,048	8,096	10,039	9,486	8,337	9,870	8,381	9,140	10,611
	West North Central	3,860	3,841	4,000	3,541	4,418	4,149	3,867	4,237	3,747	3,944	4,534
	South Atlantic	11,139	10,868	11,837	13,871	13,139	12,405	11,602	12,828	11,262	12,769	13,760
	East South Central	2,912	3,056	3,182	3,513	3,708	3,528	3,352	3,733	2,964	3,525	4,029
	West South Central	6,240	5,822	6,041	6,817	6,338	5,910	5,439	5,953	6,090	6,126	6,342
	Mountain	2,606	2,620	2,763	3,256	3,074	2,919	2,748	3,019	2,674	2,999	3,222
	Pacific	8,158	8,281	8,322	10,269	9,830	9,295	8,763	9,593	8,377	9,539	10,258
Constant	**Millions $1982 SAAR Total United States**	50,990	51,209	53,765	57,369	60,560	56,200	51,800	56,360	51,055	56,482	59,410
	New England	2,765	3,086	3,281	3,457	3,791	3,501	3,191	3,461	2,883	3,485	3,634
	Middle Atlantic	6,783	7,060	7,838	7,909	8,472	7,801	7,169	7,778	6,897	7,838	8,168
	East North Central	8,171	8,198	8,538	9,185	9,593	8,930	8,272	9,046	7,934	8,995	9,575
	West North Central	3,678	3,660	3,775	4,101	4,221	3,906	3,579	3,883	3,556	3,952	4,092
	South Atlantic	10,614	10,357	11,170	11,603	12,554	11,678	10,795	11,757	10,687	11,658	12,417
	East South Central	2,775	2,912	3,003	3,263	3,543	3,321	3,103	3,421	2,813	3,307	3,635
	West South Central	5,946	5,548	5,701	6,716	6,056	5,564	5,035	5,456	5,779	5,718	5,723
	Mountain	2,483	2,497	2,607	2,797	2,937	2,748	2,543	2,767	2,337	2,756	2,908
	Pacific	7,774	7,892	7,853	8,841	9,393	8,750	8,112	8,792	7,949	8,774	9,257
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.42	6.03	6.10	6.03	6.26	6.23	6.16	6.14	5.65	6.17	6.12
	Middle Atlantic	13.30	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.51	13.88	13.75
	East North Central	16.02	16.01	15.88	16.01	15.84	15.89	15.97	16.05	15.58	15.93	16.12
	West North Central	7.21	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.96	7.00	6.89
	South Atlantic	20.82	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.93	20.64	20.90
	East South Central	5.44	5.69	5.58	5.69	5.85	5.91	5.99	6.07	5.51	5.86	6.12
	West South Central	11.66	10.83	10.60	10.83	10.00	9.90	9.72	9.68	11.32	10.12	9.63
	Mountain	4.87	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.97	4.88	4.89
	Pacific	15.25	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.57	15.53	15.58
Industrial Production												
Index (1977 = 100)	Brick	87.5	91.3	88.6	92.7	92.2	94.5	94.1	92.4	88.5	93.4	91.1
	Cement	110.0	106.5	99.8	121.2	112.9	115.2	113.1	110.9	105.7	115.6	109.4
	Gypsum Wallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
	Hardware	102.7	99.2	99.4	99.8	102.4	103.7	104.5	104.5	100.9	102.6	103.8
	Lumber Products	121.8	126.1	125.7	128.0	131.0	129.8	128.7	127.5	122.9	129.4	126.7
	Paint	106.0	98.2	100.2	100.6	104.2	105.9	107.1	108.2	101.9	104.5	109.1
	Plywood	137.1	144.3	142.9	149.6	157.7	148.6	148.2	147.3	138.7	151.0	145.4

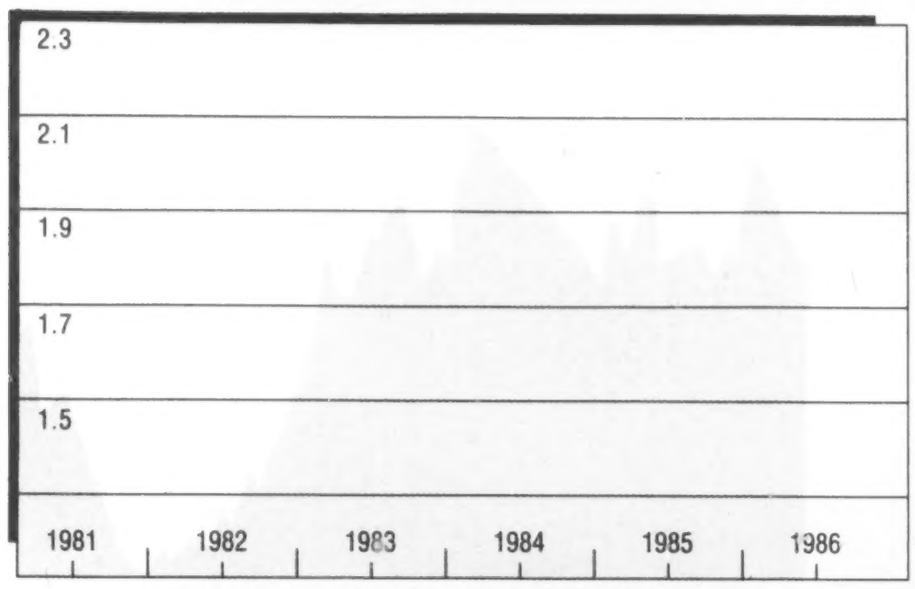
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 22, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

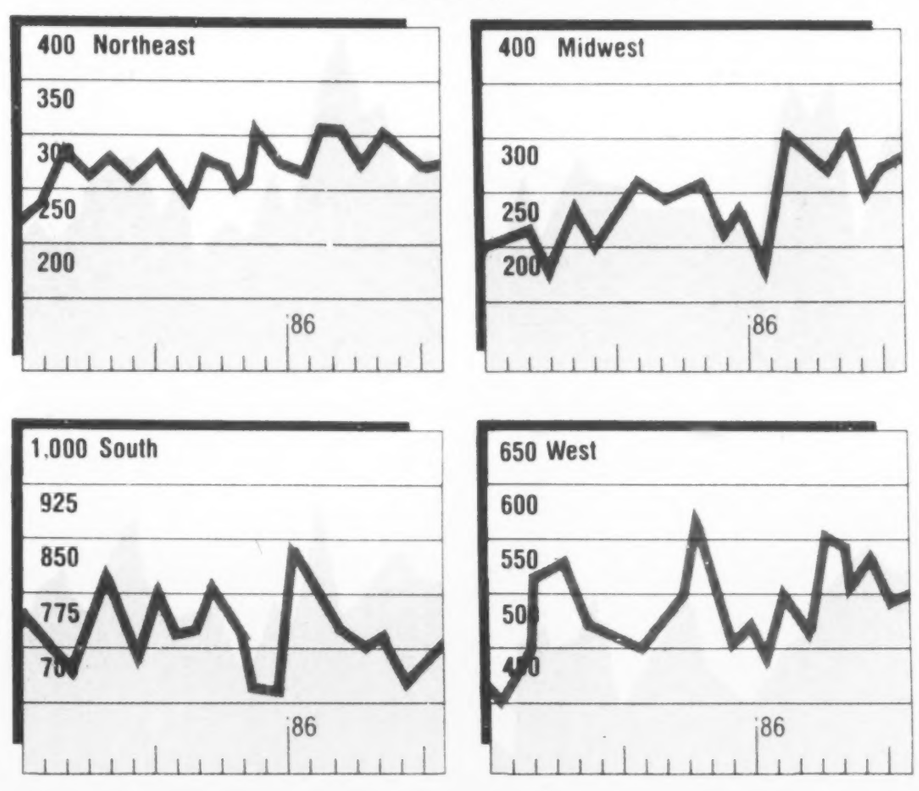


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
July '86	1,818	1,754	1,181	1,906
June '85	1,852	1,792	1,229	1,121
July '85	1,673	1,709	1,608	961

Source: U.S. Commerce Dept.

Key: Starts, Permits

Regional housing starts and permits
(in thousands)



Housing starts drop for third month in row

By an NHCN staff editor

NATIONAL REPORT — For the third consecutive month, housing starts declined, sagging 2% in July, to a seasonally adjusted 1.85 million units, the U.S. Commerce Department reported.

The largest drop was recorded in single-family starts, down 4% to 1.18 million units.

Gopal Ahluwalia, assistant staff vp at the National Association of Home Builders (NAHB), said he was surprised single-family starts fell from its 1.2 million-to-1.3 million-unit-pace and even more surprised that multi-family rental construction, expected to decline under the weight of tax reform, rose 3% in July to 560,000 units, up 8% from July 1985.

"There's honestly no explanation for this," he said.

Also in July, permit activity dipped 2% to an annualized 1.79 million units and single family permits declined 2%, to 1.1 million units, the Commerce Department reported.

Compared to July 1985, total starts are up 9%, and single-family starts are ahead by 11%. Total housing permits are 3% above the level set last July and single-family permits are up 14%.

Leading the pack are the Northeast and Midwest. Housing starts in both regions are well above their June, 1986 levels. In fact, housing permits in the Northeast set a record in July, rising 17% to a seasonally adjusted 320,000 units. It was the highest number in the last 13 months and the most units permitted since March, 1973 when 341,000 units were recorded, said Dale Jacobson, a Commerce De-

(Continued on page 57)

Regional Housing
(in thousands)

	July '86 starts	% chg.	July. '86 permits	% chg.
Northeast	285	+ 3	320	+17.0
West	483	− 4	453	−10.0
South	711	− 7	692	− 5.0
Midwest	399	+11	289	even

Rental units to suffer from tax break loss

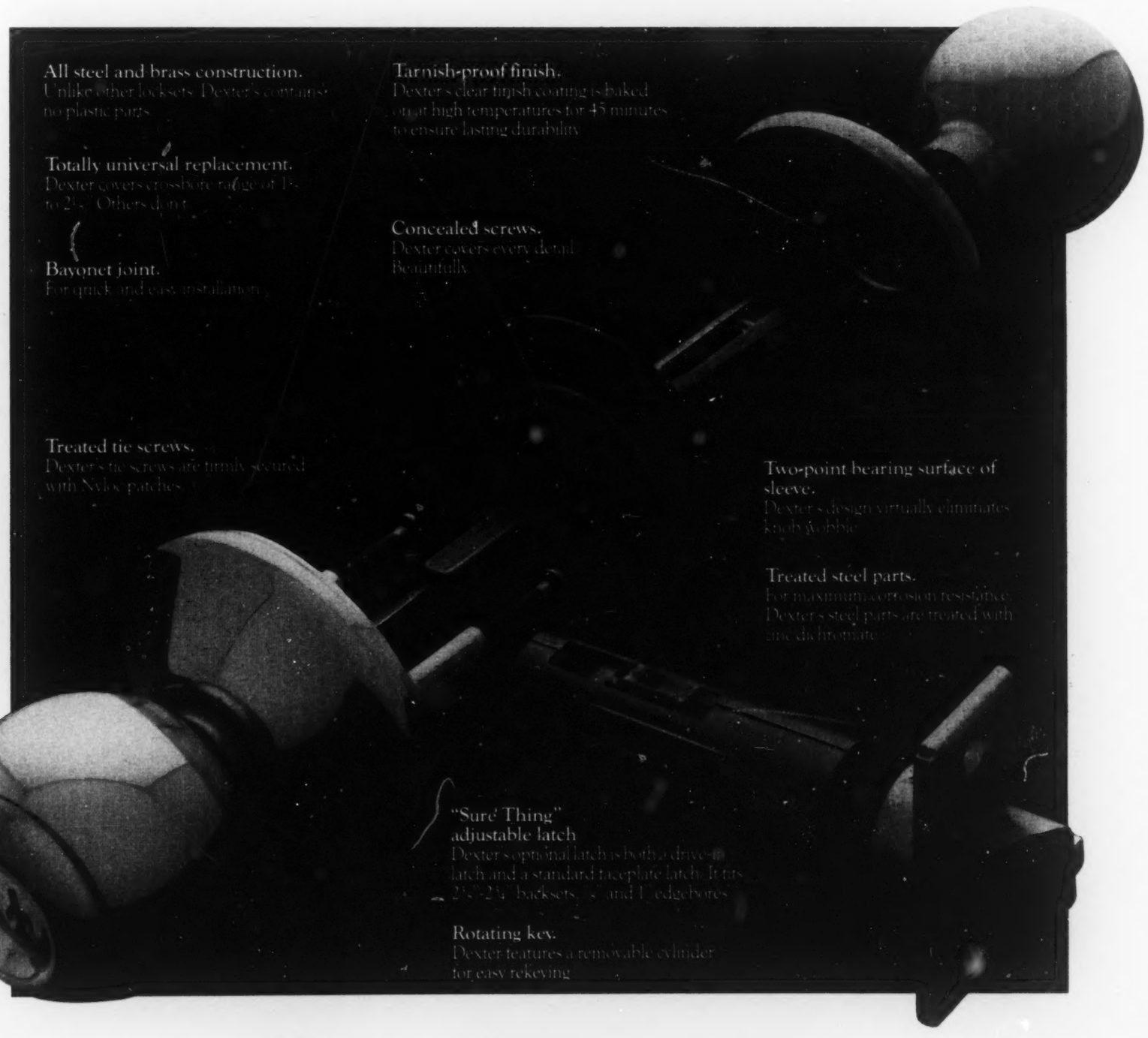
By an NHCN staff editor

NATIONAL REPORT — Renters and developers of rental housing stand to suffer more than most from the compromise tax reform legislation, housing experts asserted.

New starts are expected to constrict even more than they have this year, and rents should swell in reaction to the proposed loss of "incentives" for new development. How low the unit decline will sink, however, is uncertain.

According to the National Association of Home Builders (NAHB), multi-family construction should lose 350,000 units during the first year of the new tax law, as proposed—almost half the pace set in 1985—paralyzing the in-

(Continued on page 57)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LUMBER REPORT

Compromise tax plan threatens new lumber industry investment

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Forest products industry executives and observers portray theirs as an imperiled enterprise as a result of the new compromise tax plan.

The consensus among forest products producers is that the tax rules will discourage new investment, delay or stop reforestation programs, slow down capital improvements and mill additions and further erode export possibilities.

Part of the industry's dire prognosis is driven by the reality that their worst fears have come true—that virtually every item in the early tax plan forest products producers wanted to see maintained has been scrapped. Of the four major tax provisions the forest products industry desired, only the expensing of forest management costs were kept.

But the repeal of the Investment Tax Credit (ITC), the loss of capital gains treatment for long-term investment and the stretched out depreciation schedules are expected to hit the industry hard.

"The loss of investment tax credits and changes in depreciation schedules will effectively increase the cost of investment to modernize or increase capacity in basic industry by 11%," said Tom Ambrose, a Weyerhaeuser Co. corporate spokesman. "This is going to make it significantly more difficult for our smokestack industries to compete with other world producers."

In looking at the forest products industry, Ambrose painted a dismal picture featured by a lack of incentive to renew resources or improve existing mills.

"From the standpoint of the nation, it will lead to less planting and less intensive management, the removal of marginal land from production, accelerated harvest and less forest research," Ambrose said. "We're thankful that the deductibility of operating costs for forestry was retained. Under the original House bill, timber growing would have been the only industry in which such costs were not allowed."

Luke Popovich, of the American Forest Products Council, an agency within the National Forest Products Association, foresees the possibility of supply shortages. Popovich said that he can envision small timber growers, discouraged by the elimination of capital gains preferences, divesting themselves of their timberland and refusing to reforest. The result would be forest producers reluctant to commit themselves to new mills since they would not have the confidence that they could obtain raw materials.

"Unless there is a tax code that attracts investment to timber, which is already a marginal investment," Popovich said, "the forest producers will not assure themselves of adequate supplies, and without that assurance, it becomes particularly hazardous to invest hundreds of millions in new facilities when you are uncertain that 15 to 20 years out you will have the wood supplies you need."

Wall Street is not projecting the doomsayers' point of view and has managed to outline a few bright spots in the tax plan, mainly the expectation that commodity prices will rise in the future as repealed tax incentives discourage reforestation.

Sherman Chao, an industry analyst with Salomon Brothers, expects price inflation for forest products as timber growers, who had depended on capital gains treatment, shy away from replanting harvested forests.

"To the extent that there is a glut of timber on the market, this tax proposal discourages further investment in reforestation," Chao said. "At some point down the road, that will put pressure on prices.

"From an investment point of view, I don't like the near-term result of that, but I can see how it can be beneficial."

Despite the outcry over the repeal of timber capital gains, Chao argued that the large, publicly held forest products companies never prospered from capital gains.

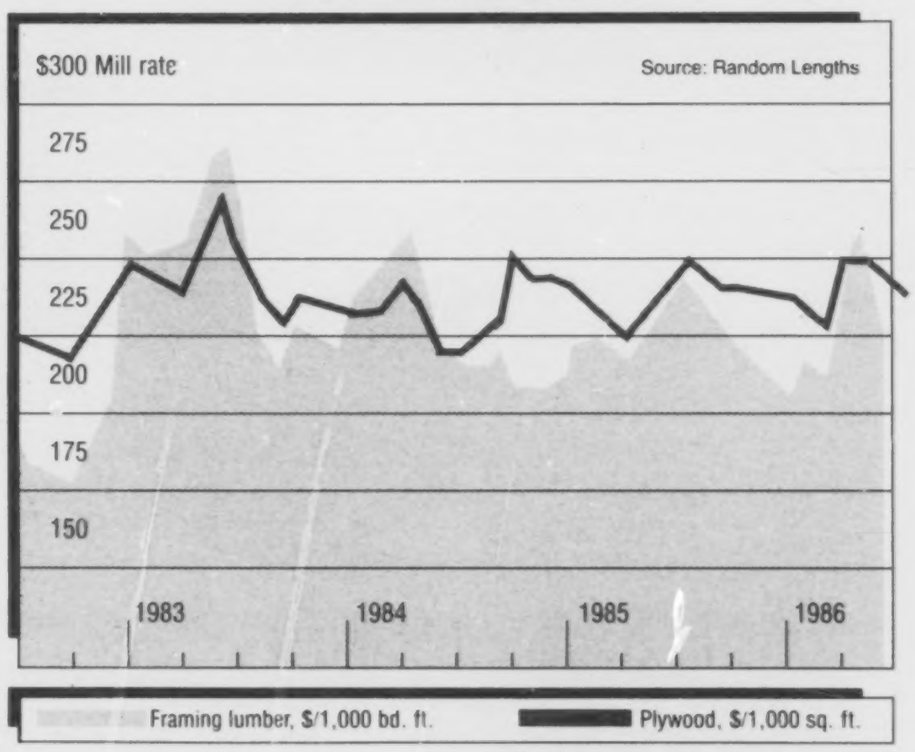
"The repeal of timber capital gains is a modest disappointment for the large companies," Chao added. "The earnings from the large publicly held companies have not really benefitted substantially from timber capital gains.

Evadna Lynn, an analyst with Merrill Lynch, said the new tax plan will have little effect on stockholders' earnings, but she said the repercussions from the tax plan will vary from company to company.

Lynn said expansion capacity will slow down and lumber prices will increase as resources are not replaced.

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Lumber and plywood prices dropped sharply during the early stages of the third quarter. Framing lumber dropped from $233 a thousand board feet to a July trading average of $199 while plywood softened more slowly from $225 to $218 a thousand board feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 8/14

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept. '86	$168.60	$160.90	$165.10	$167.60	2,260	$182.40	$145.50
Nov.	$164.00	$156.20	$160.30	$162.70	1,800	$174.50	$146.00
Jan. '87	$165.60	$159.00	$161.80	$164.50	457	$175.00	$150.00
March	$167.80	$160.70	$163.30	$167.00	167	$175.50	$153.00
May	$168.00	$161.70	$164.30	$168.00	53	$174.50	$155.50
July	$168.50	$162.70	$165.30	$168.00	23	$175.50	$155.10
Sept.	$169.50	$165.50	$166.30	$170.50	1	$170.50	$165.00

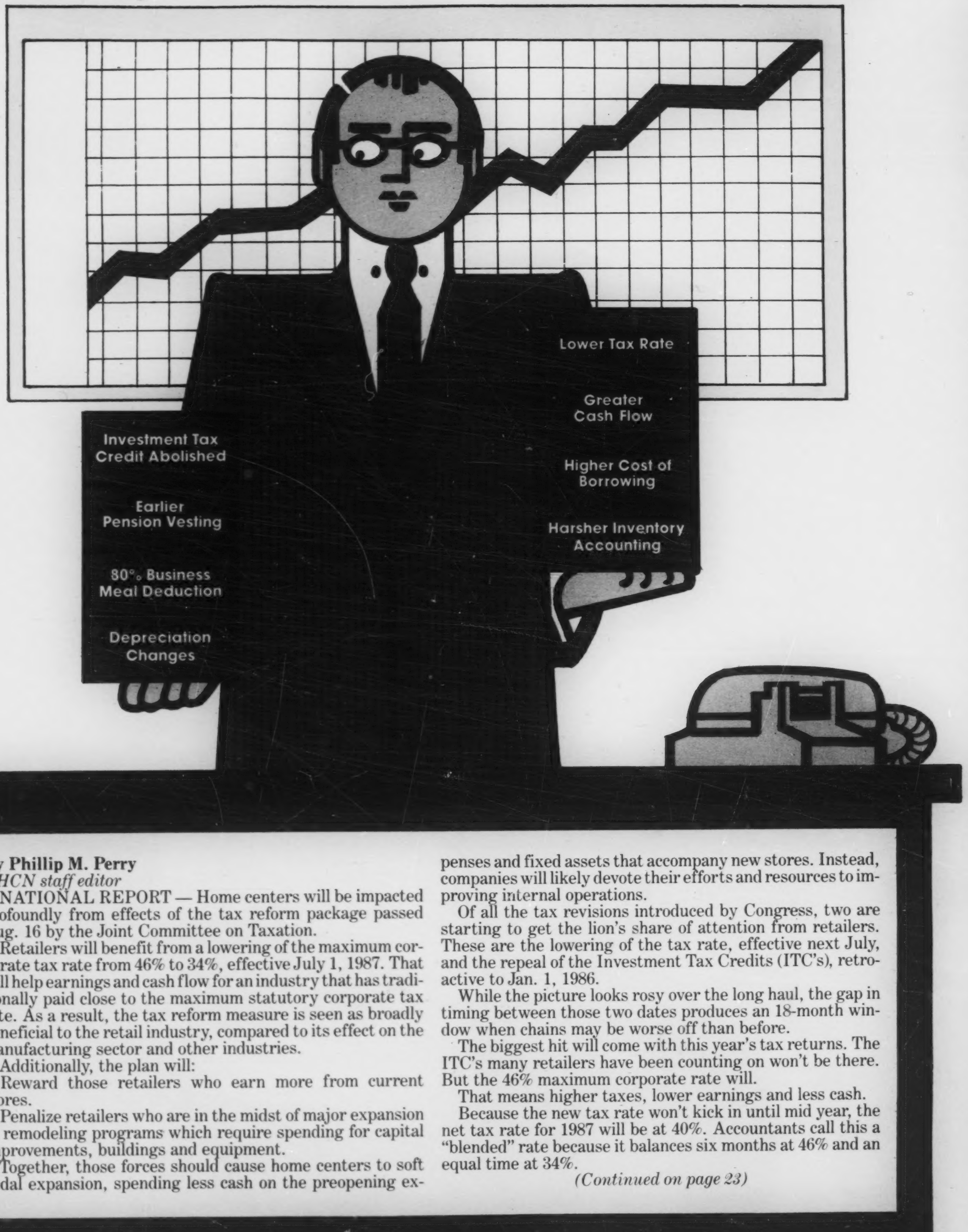
Total Contract Vol. (Through 8/14): 16,597 **Previous Two Weeks: 14,616**
Total Open Interest (As of 7/14): 4,761 **Previous Week: 5,759**
Cash Price: $181.30 **Previous Week: $175.42** **Year Ago: $144.06**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 7/14
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

National Home Center News • Section Two

Perspectives

HOME CENTERS WEIGH PROS, CONS OF TAX REFORM



By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home centers will be impacted profoundly from effects of the tax reform package passed Aug. 16 by the Joint Committee on Taxation.

Retailers will benefit from a lowering of the maximum corporate tax rate from 46% to 34%, effective July 1, 1987. That will help earnings and cash flow for an industry that has traditionally paid close to the maximum statutory corporate tax rate. As a result, the tax reform measure is seen as broadly beneficial to the retail industry, compared to its effect on the manufacturing sector and other industries.

Additionally, the plan will:

- Reward those retailers who earn more from current stores.
- Penalize retailers who are in the midst of major expansion or remodeling programs which require spending for capital improvements, buildings and equipment.

Together, those forces should cause home centers to soft pedal expansion, spending less cash on the preopening expenses and fixed assets that accompany new stores. Instead, companies will likely devote their efforts and resources to improving internal operations.

Of all the tax revisions introduced by Congress, two are starting to get the lion's share of attention from retailers. These are the lowering of the tax rate, effective next July, and the repeal of the Investment Tax Credits (ITC's), retroactive to Jan. 1, 1986.

While the picture looks rosy over the long haul, the gap in timing between those two dates produces an 18-month window when chains may be worse off than before.

The biggest hit will come with this year's tax returns. The ITC's many retailers have been counting on won't be there. But the 46% maximum corporate rate will.

That means higher taxes, lower earnings and less cash.

Because the new tax rate won't kick in until mid year, the net tax rate for 1987 will be at 40%. Accountants call this a "blended" rate because it balances six months at 46% and an equal time at 34%.

(Continued on page 23)

Perspectives

cover story

Retailing strategies face profound changes

(Continued from page 21)

Then, in 1988, the rate will be 34% for the full year.

Among a number of other changes expected to impact home center retailers, the plan calls for:

- A requirement that retailers and wholesalers capitalize expenses associated with buying and handling inventory, rather than deduct them as operating expenses. The change will result in a substantial one-time charge. (Story, page 28.)
- A reduction in pension vesting periods from 10 years to a new threshold of five years. That will drain some modest additional cash from chains. (Story, page 35.)
- Reducing to 80% the allowable tax deduction for business meals and entertainment. Retailers will take a harder look at such expenses. (Story, page 30.)
- Lengthening depreciation schedules for much equipment. While the net effect won't be as severe as that of the elimination of ITC's, it's nevertheless another costly change for retailers.

For retailers in general, the rules of the road are plain: The higher the earnings, the greater the beneficial effect of the lower corporate tax rate. And the smaller the investment in fixed assets, the less severe the deleterious effect of the elimination of ITC's.

Based on 1985 performance, home centers should experience a net gain under the new tax plan.

Payless Cashways, for example, would have had an 8.1% increase in its cash flow in 1985 if the new tax plan had been in effect that year.

The lowering of corporate tax rates to 34% would have increased the firm's bottom line earnings by $8.2 million.

In a partial offset to that benefit, however, Payless would not have been able to deduct $3.1 million from its tax bill because of its ITC's.

The difference would have been $5.1 million in additional earnings and cash for the company. That would have increased the firm's cash flow by 8.1%, since the firm reported $63.3 million in cash flow (earnings plus depreciation) that year.

Twelve publicly held home improvement retailers listed on the chart below would have enjoyed increases in cash flow, ranging from 5.5% to 14.1% in 1985, had the key provisions of the new tax plan been effective.

The chart—organized from top to bottom in terms of winners and losers if the tax plan were in effect—shows that Color Tile would have had the most to gain. Its cash flow would have increased by 14.1%. Because its pretax earnings in 1985 came to a healthy $24,339,000 the corporate tax cut would have brought $2,921,000 in additional cash and earnings.

Color Tile kept its capital expenditures to a minimum in 1985, despite a program of regular growth in terms of store count. The company managed to do this by leasing the majority of its sites. Since its ITC's came to only $316,000 that year, it would have had a net gain of $2,605,000 with the new plan.

Other than the elimination of ITC's, the worst element of the new tax plan seems to be the requirement that retailers capitalize many of the inventory handling costs that they normally deducted directly from their gross incomes.

The costs, said retailers, would go beyond the resulting one time tax hit and would involve costs of setting up a new accounting system to handle the requirement.

Many home center operators complained about Congressional delay in putting together a tax reform package, noting details of the tax plan must be worked out.

"It's a tragedy that it took a year and a half for Congress to decide what the plan would be," said Doug Southern, vp-finance of Pay 'N Pak, Kent, Wash. He noted that the delay kept consumers from spending, since they were confused about what effect remodeling would have on their taxes.

Southern, and other home center operators, noted that the full ramifications of the new plan won't be known until the Internal Revenue Service and Financial Accounting Standards Board write guidelines. That will cause still more confusion as companies try to decide how to handle the plan's new requirements in many areas.

"After the law comes out, they often leave it to the IRS to write the regulations," said Southern. "That may be six to eight months down the road."

"No one will know what the new tax plan really means until the IRS writes the regulations," said Morrison Cain, public affairs counsel for the Association of General Merchandise Chains (AGMC).

"Eventually, it may be simpler," said Richard Martineau, exec vp of Scotty's, Winter Haven, Fla. "But it's one heck of a mess initially."

Between now and the end of the year, there's not too much retailers can do to overcome any negative impact from the bill. If a home center anticipates a need to borrow money, one good strategy might be to borrow now while the tax rate is still high. Once the tax rate falls to 40%, and later to 34%, borrowing will be much more expensive.

With the 46% tax rate in place, a retailer gets a $460 tax deduction for every $1,000 paid in debt interest. The company bottom line is reduced by $540. When the 34% rate is in effect, the tax deduction will be only $340. The bottom line will be depressed $660. Cash flow will increase equally.

"The actual savings to a company depend on when the interest is paid," pointed out Martin J. Mauro, a senior economist at Merrill Lynch Economics, New York. For short-term debt, borrowing costs are bound to be cheaper if the interest payments are made by the end of this year.

While taking longer-term debt now might also be wise, the cost advantage may not be as great. That's because the 40% blended tax rate is slated to begin Jan. 1.

While the new plan eliminated a host of tax deductions for both consumers and business, it did retain the deduction for the targeted jobs tax credit. Morrison Cain of the AGMC had lobbied for the credit to be retained and hailed the Congressional decision as a special victory for retailers.

"Retailers are the largest users of targeted job tax credits," he said. If an employer hires a worker who is handicapped—or who falls within the definitions of one of six other categories—the company receives a tax credit of up to 50% of the salary paid during the first year of employment.

Loss of ITC deductions to slow new store plans

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — For home centers with major expansion plans or retrofitting goals on the books, the loss of Investment Tax Credits (ITC's) hovers like a storm cloud over the horizon—or in this case, over the bottom line.

One of the early areas of agreement among congressional tax reformers was the consensus that ITC's had to go. Ushered into law during the Economic Recovery Act of 1981, ITC's allowed companies to deduct 10% from their tax liability whenever new purchases were made for major capital improvements or machinery.

It was a one-time write-off that particularly benefitted capital-intensive industries such as forest products, airlines and tool manufacturers. But it also benefitted retailers who were able to write off a portion of expenses associated with opening new stores.

In addition, however, depreciation schedules for most capital investment items qualifying for tax credits will also be reduced. For example, light trucks and company automobiles would have to be depreciated over five years, rather than three years as is the case now.

(Continued on page 24)

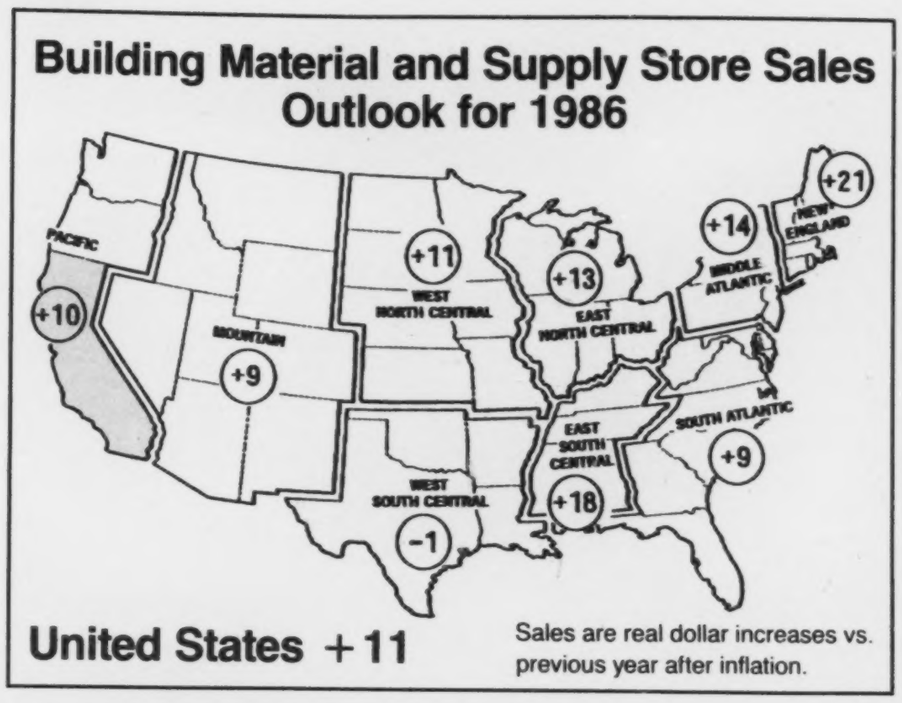
If Home Centers Were Taxed in 1985 Under the Regulations of the New Tax Plan . . .

		Retailers will gain from the lower corporate tax rate . . .	. . . but lose their usual Investment Tax Credit . . .	. . . yielding a gain (loss) in their net after tax earnings . . .	. . . and an increase in total cash flow.	
Company	1985 Pretax Earnings ($000)	After Tax Savings at 34% vs. 46% ($000)	1985 I.T.C.'s* ($000)	Tax Savings-I.T.C.'s ($000)	1985 Cash Flow = After Tax Earnings + Depreciation ($000)	Cash Flow Increase = After Tax Savings ÷ 1985 Cash Flow (per cent)
Color Tile	$ 24,339	$ 2,921	$– 316	$ 2,605	$ 18,446	14.1%
Lowe's	112,865	13,544	– 2,552	10,992	81,473	13.5
Erb Lumber	10,826	1,299	– 118	1,181	8,975	13.2
Handyman	13,972	1,677	– 154	1,523	13,785	11.0
Stand Brands Paint	27,165	3,253	– 972	2,281	21,650	10.5
Hechinger	37,290	4,475	– 1,492	2,983	29,705	10.0
Wolohan	6,421	771	– 241	530	6,124	8.7
Payless Cashways	68,027	8,163	– 3,064	5,099	63,303	8.1
K mart	756,000	90,720	–45,000	45,720	581,000	7.9
National Hardgoods Dist	884	106	– 35	71	1,039	6.8
Pay 'N Pak	14,463	1,736	– 737	999	16,522	6.0
Scotty's	29,540	3,545	– 2,111	1,434	25,922	5.5
Home Depot	11,619	1,394	– 2,308	– 914	12,595	– 7.3
					Average (excluding Home Depot)	9.6%

Source: NHCN calculations, based on data from 1985 annual reports. *ITC numbers include minimal amounts from other tax credits, such as targeted job tax credits. NHCN chart

Lower tax bills under the new tax reform plan will more than offset the loss of Investment Tax Credits (ITC's) in most cases. But companies that expand rapidly—as The Home Depot did in 1985—may suffer.

If the new tax reform plan had been in effect in 1985, Home Depot would have paid more in taxes, not less: A major expansion program that year reduced its pre-tax earnings to $11.6 million, but yielded $2.3 million in ITC's. A 34% tax rate, instead of 46%, would have lowered Home Depot's tax bill by $1.4 million. But the loss of ITC deductions would have exceeded the savings by $914,000, resulting in 7.3% drop in cash flow that year. During the first half of 1986, Home Depot's earnings reports have improved considerably. As a result, the company would benefit from the change in the tax law, with an increase in cash flow.



Calif. outpaces U.S. in housing starts

(Continued from page 12)

strong in California, sustained by the growth in employment and population. Housing starts rose 22% last year and are projected to gain 13% in 1986 before declining 3% in 1987. Resales, a larger market for building material sales, increased 7% in 1985, will rise 5% in 1986 and then contract 2% in 1987.

Oakland will be the strongest major market for building material sales in 1986 and 1987. Sales will be up 18% this year and 14% in 1987. Manufacturing in cities south of Oakland is rising. The downtown area is being rebuilt and the higher cost of working or living in San Francisco is helping Oakland. The area is experiencing an in-migration of firms which are moving to the expanding work force base in the East Bay. The city has a large port and benefits from export gains from the lower dollar. Employment is up 5.2% from last year.

San Diego will be stronger than the state average but below the pace of Oakland. Building material sales will rise 16% in 1986 and 13% in 1987. Employment is up 3.4% from last year, but construction is up only 0.9%.

Building material sales in Anaheim, Los Angeles and San Francisco will increase 15% this year, the average for the state. These cities are large and diverse, and the building booms of the past in Anaheim and Los Angeles are moderating. Construction in San Francisco, residential and nonresidential, is up 10%. Employment gains for the three cities have slowed to 2% from a year ago. Home prices have risen well above the national average, making housing less affordable for prospective buyers.

San Jose building material sales will be flat this year, with a rebound of 5% expected for 1987. Weakness in the computer industry has hurt the local economy. Employment is up only 0.1% from last year, but construction is down 4.0% and manufacturing, 3.7%. The computer industry will recover in 1987, and the rebound in resales will keep building material demand weak until 1987.

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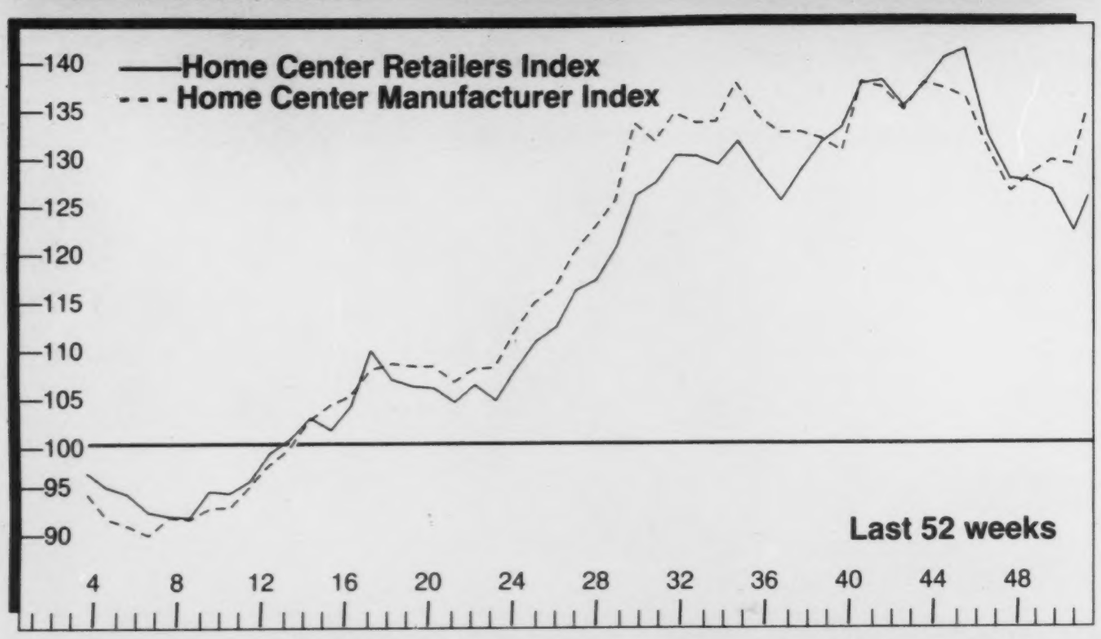
FINANCIAL NEWS

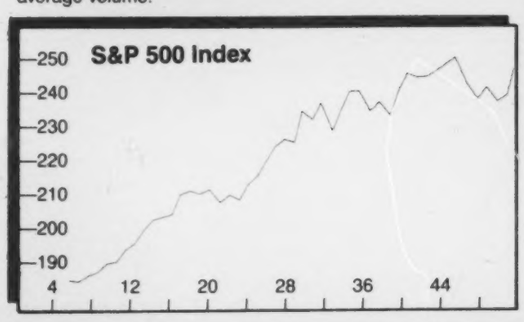


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-22-86	(100)	%	%
Color Tile ..... M	24,431	450.4	28.2
Boise Cascade ..... N	24,446	351.4	9.4
Thos Inds ..... N	1,722	324.4	4.1
Owens Corning ..... N	83,746	281.3	6.5
DeSoto Inc ..... N	837	243.1	7.1
Home Depot ..... N	14,467	229.9	13.9
Svc Merchandise ..... M	55,953	229.4	7.0
Black & Decker ..... N	36,722	213.4	13.8
Std Brd Pnt ..... N	7,600	211.5	18.2
Zayre Corp ..... N	41,783	191.8	6.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 8-22-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Color Tile ..... M	27.25	28.2	24,431
SW Forest Ind ..... N	15.25	22.0	6,077
Std Brd Pnt ..... N	25.13	18.2	7,600
Georgia-Pacifc ..... N	34.38	15.5	33,791
Allegheny Int ..... N	18.25	15.0	6,910
Champ Intl ..... N	26.63	14.5	36,461
Home Depot ..... N	19.50	13.9	14,467
Black & Decker ..... N	17.50	13.8	36,722
Weyerhaeuser ..... N	36.25	13.7	29,155
USG Corp ..... N	40.00	13.5	14,297
Losers	**$**	**%**	**(100)**
Wickes Cos ..... A	5.00	- 9.1	59,140
Erb Lumber ..... M	14.13	- 8.9	447
Ply-Gem ..... A	12.00	- 5.9	3,303
Manville Cp ..... N	2.38	- 5.0	7,138
Natl Lumber ..... M	5.00	- 4.8	462
Hechinger B ..... M	22.00	- 3.3	446
Insilco Corp ..... N	21.75	- 2.2	4,833
Wolohan Lumber ..... M	8.75	- 1.4	839
Natl Hardgoods ..... M	10.00	.0	139
Am Standard ..... N	37.38	.3	7,380

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 8-22-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Financial Update: Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	27.25	6.00	28.2	27.25	22.13	27.25	16.88	24,431	25.87	4.70	450.4	18.2	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	14.13	- 1.38	- 8.9	15.75	14.00	19.25	5.75	447	1.34	.98	36.7	8.1	.00	.0	NEW	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	33.25	2.25	7.3	33.25	31.13	33.25	22.00	72	.09	.06	50.0	45.5	.30	.9	.....	3 mos.	04-86	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	50.25	1.63	3.3	50.25	46.75	60.75	35.50	20,193	4.86	2.35	106.8	15.5	2.80	5.6	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	30.25	.38	1.3	30.50	29.88	36.00	21.75	141	.55	.48	14.6	12.3	.20	.7	.....	3 mos.	03-86	62.6	.8	(.2)	- 100.0	(.06)	- 100.0	62.6	.8	(.2)	- 100.0	(.06)	- 100.0
Hechinger A ..... M	21.75	.25	1.2	21.75	21.50	23.59	12.81	4,108	3.76	2.56	46.9	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.00	- .75	- 3.3	23.00	21.75	23.59	12.81	446	.15	.17	- 11.8	27.5	.06	.3	.....	3 mos.	04-86	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Home Depot ..... N	19.50	2.38	13.9	20.38	17.00	21.75	10.50	14,467	5.74	1.74	229.9	31.0	.00	.0	NEW	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	43.50	1.25	3.0	43.63	41.00	47.63	31.38	6,719	2.35	1.13	108.0	14.4	1.60	3.7	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	52.88	1.88	3.7	54.50	51.13	57.38	30.63	58,964	4.68	2.50	87.2	23.3	1.48	2.8	NEW	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	29.13	.63	2.2	29.50	26.50	41.50	20.75	20,003	5.12	1.88	172.3	18.0	.40	1.4	.....	3 mos.	04-86	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General ..... A	2.88	.25	9.5	2.88	2.50	5.63	2.25	2,464	2.17	1.67	29.9	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	10.00	.00	.0	10.00	9.50	10.25	5.50	139	1.13	1.55	- 27.1	23.8	.00	.0	.....	3 mos.	04-86	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber ..... M	5.00	- .25	- 4.8	5.75	5.00	7.00	4.00	462	.82	.57	43.9	NE	.00	.0	.....	*	04-86	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak ..... N	14.75	1.00	7.3	15.00	13.25	19.38	11.63	1,980	1.98	1.59	24.5	17.6	.64	4.3	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	19.75	.25	1.3	22.75	19.00	27.50	13.50	10,919	3.15	1.99	58.3	16.5	.16	.8	.....	6 mos.	05-86	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	14.88	.88	6.3	15.50	13.50	18.13	12.38	1,746	1.21	.44	175.0	14.0	.52	3.5	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	47.75	5.25	12.4	47.88	42.63	50.38	31.75	80,882	2.22	1.10	101.8	13.8	1.76	3.7	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	9.50	.63	7.0	10.00	8.25	15.63	8.25	55,953	16.80	5.10	229.4	NE	.08	.8	NEW	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt ..... N	25.13	3.88	18.2	25.75	20.75	25.75	18.75	7,600	37.57	12.06	211.5	19.9	.58	2.3	.....	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	58.00	1.00	1.8	58.50	56.25	63.88	39.88	4,237	2.21	.91	142.9	16.2	.56	1.0	.....	3 mos.	04-86	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos ..... A	5.00	- .50	- 9.1	5.63	4.88	7.00	3.88	59,140	4.28	3.59	19.2	26.3	.00	.0	.....	3 mos.	04-86	995.1	40.9	15.7	NE	.02	NE	995.1	40.9	15.7	NE	.02	NE
Wolohan Lumber ..... M	8.75	- .13	- 1.4	9.00	8.75	10.75	5.25	839	1.43	2.22	- 35.6	12.5	.16	1.8	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp ..... N	29.88	1.88	6.7	31.88	27.75	43.88	23.88	41,783	7.09	2.43	191.8	19.8	.32	1.1	NEW	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																													
Lewis Palmer ..... M	9.13	.75	9.0	9.13	8.25	9.88	6.38	899	2.30	1.35	70.4	36.5	.28b	3.1	.....	3 mos.	04-86	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers																													
Allegheny Int ..... N	18.25	2.38	15.0	18.50	15.88	28.75	11.38	6,910	6.42	2.55	151.8	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	37.38	.13	.3	38.38	37.00	46.88	27.00	7,380	1.96	1.29	51.9	7.4	1.60	4.3	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Armstrng Wrld ..... N	57.75	1.88	3.4	59.88	56.00	69.88	31.88	5,410	2.25	1.43	57.3	12.9	1.44	2.5	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker ..... N	17.50	2.13	13.8	18.00	15.25	25.25	14.50	36,722	6.33	2.02	213.4	26.5	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	56.75	4.88	9.4	57.00	51.50	59.88	39.63	24,446	8.35	1.85	351.4	18.0	1.90	3.3	.....	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed ..... N	30.50	2.25	8.0	30.88	28.50	38.50	22.38	2,909	1.53	.88	73.9	10.6	.90	3.0	.....	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl ..... N	26.63	3.38	14.5	27.00	23.25	29.75	20.25	36,461	3.85	1.65	133.3	18.4	.52	2.0	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	39.50	2.63	7.1	39.75	37.13	41.38	31.50	837	1.75	.51	243.1	13.2	1.40	3.5	.....	6 mos.	06-86	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp ..... N	35.00	2.38	7.3	36.25	32.75	42.63	26.38	5,731	1.88	.66	184.8	13.0	1.40	4.0	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacifc ..... N	34.38	4.63	15.5	34.50	29.75	34.50	20.63	33,791	3.26	1.33	145.1	22.3	.80	2.3	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	21.75	- .50	- 2.2	22.63	21.50	24.75	16.63	4,833	2.45	1.26	94.4	15.8	1.00	4.6	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	27.25	3.25	13.5	27.38	23.75	30.13	17.13	8,304	2.25	.92	144.6	22.2	.80b	2.9	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel ..... M	27.63	1.25	4.7	27.75	26.38	28.63	12.47	345	.11	.14	- 21.4	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	2.38	- .13	- 5.0	2.75	2.25	8.88	2.25	7,138	2.97	1.89	57.1	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	28.63	.25	.9	30.38	28.25	34.50	15.25	16,951	1.31	.80	63.8	20.3	.32	1.1	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	14.75	.25	1.7	15.00	14.25	19.25	14.25	77	.30	.30	.0	11.5	.01	.1	.....	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	27.38	.25	.9	28.50	26.38	36.75	16.00	1,352	1.21	1.40	- 13.6	13.0	.70	2.6	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	81.75	5.00	6.5	82.50	75.75	82.50	32.13	83,746	28.10	7.37	281.3	17.3	1.40	1.7	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	12.00	- .75	- 5.9	12.50	11.38	15.50	10.00	3,303	4.50	1.64	174.4	13.8	.12	1.0	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot ..... N	20.38	2.38	13.2	20.38	17.75	24.75	16.75	1,149	1.92	.78	146.2	21.4	.80	3.9	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	59.75	5.63	10.4	60.00	54.25	60.00	32.63	1,250	.96	.85	12.9	18.3	1.56	2.6	.....	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms ..... N	27.13	1.13	4.3	27.75	26.00	32.25	16.63	11,400	2.47	1.73	42.8	16.3	.50	1.8	.....	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind ..... N	15.25	2.75	22.0	15.50	12.50	15.88	9.88	6,077	6.00	2.80	114.3	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works ..... N	39.63	3.63	10.1	40.75	35.75	46.25	27.63	2,445	.88	.86	2.3	13.7	1.04	2.6	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds ..... N	22.00	.88	4.1	22.25	21.00	26.75	16.19	1,722	1.91	.45	324.4	11.9	.68b	3.1	.....	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp ..... N	40.00	4.75	13.5	40.75	35.25	42.75	18.31	14,297	2.11	1.20	75.8	10.6	1.12	2.8	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim ..... N	50.25	4.25	9.2	51.75	45.63	51.75	26.00	15,668	5.40	2.15	151.2	18.9	1.40	2.8	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	15.75	1.25	8.6	15.75	14.25	17.13	10.00	1,076	3.43	2.04	68.1	19.4	.08	.5	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	36.25	4.38	13.7	36.63	32.00	40.25	24.75	29,155	2.24	.94	138.3	25.2	1.30	3.6	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219